MOODY'S
INVESTORS SERVICE

CREDIT OPINION
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New Issue

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Contacts

Anne Cosgrove 212-553-3248
VP-Senior Analyst
anne.cosgrove@moodys.com

Emily Raimes 212-553-7203
VP-Sr Credit Officer
emily.raimes@moodys.com

Dan Seymour, CFA 212-553-4871
Assistant Vice President - Analyst
dan.seymour@moodys.com

State of Georgia

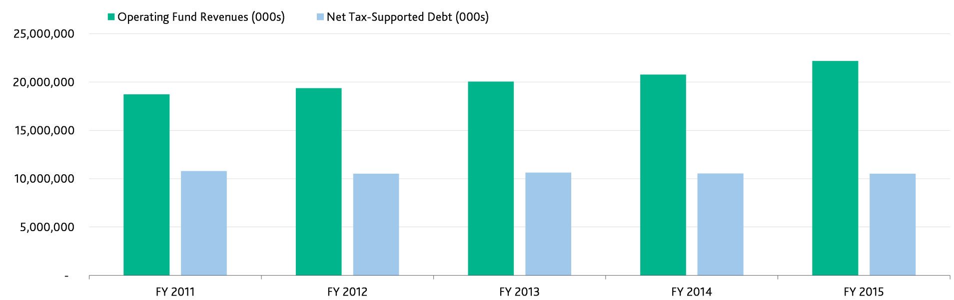
New Issue - Moody's assigns Aaa to Georgia's $1.4B GO bonds; outlook stable

Summary Rating Rationale

Moody's Investors Service has assigned Aaa ratings to the State of Georgia's planned issuance of $1.4 billion general obligation (GO) bonds in the four series ($717.3 million GO Bonds Series 2016A, $200 million GO Bonds 2016B (Federally Taxable), $382 million GO Refunding Bonds 2016C, $68 million GO Refunding Bonds 2016D (Federally Taxable). The bonds are expected to price the week of June 6.

The highest rating is supported by Georgia's conservative fiscal management, demonstrated by the rapid replenishment of budgetary reserves after the last recession, as well as the state's moderate debt burden and diverse economy.

Exhibit 1
Georgia's Revenues Have Grown While Debt Has Declined



Source: Moody's Investors Service, State of Georgia CAFR

Credit Strengths

» Conservative fiscal management, including prompt responses to revenue declines

» History of rapid replenishment of budget reserves

» Moderate debt levels

» Diversified economy that continues to grow

Credit Challenges

» Large unfunded retiree health benefits liability

Rating Outlook

The outlook for Georgia is stable, based on our expectation that the state's conservative management will maintain fiscal stability even in the face of economic weakness.

Factors that Could Lead to a Downgrade

- Return to negative fund balances over an extended period
- Economic deterioration leading to revenue declines and lack of budget balance
- Renewed reliance on non-recurring fiscal measures
- Failure to address large, unfunded retiree health benefits liability or substantial deterioration in pension funded status

Key Indicators

Exhibit 2

Georgia	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Operating Fund Revenues (000s)	18,725,959	19,361,984	20,041,249	20,775,112	22,176,375
Balances as % of Operating Fund Revenues	2.1%	1.7%	4.0%	5.2%	5.8%
Net Tax-Supported Debt (000s)	10,788,109	10,523,033	10,630,498	10,533,130	10,510,695
Net Tax-Supported Debt/Personal Income	3.1%	3.0%	2.9%	2.8%	2.7%
Net Tax-Supported Debt/Personal Income 50 State Median	2.8%	2.8%	2.6%	2.5%	2.5%
Debt/All Governmental Funds Revenue	32.2%	30.3%	29.0%	28.7%	27.0%
Debt/All Governmental Funds Revenue 50 State Median	22.7%	24.3%	23.8%	23.0%	20.4%
Adjusted Net Pension Liability/All Govt Funds Revenue	42.0%	36.1%	60.4%	47.1%	N/A
Adjusted Net Pension Liability/All Govt Funds Revenue 50 State Median	48.7%	63.9%	60.3%	59.2%	N/A
Total Non-Farm Employment Change (CY)	1.1%	1.3%	2.0%	3.0%	2.6%
Per Capita Income as a % of US (CY)	86.2%	84.2%	84.6%	84.6%	85.1%

Source: State of Georgia CAFR, Moody's Investors Service

Detailed Rating Considerations

Economy

Georgia remains an above-average performer in the South, which is supported by population growth that exceeds the nation's and will help support the housing and personal service industries. The state has regained the jobs it lost during the recession, and its economic recovery continues at a healthy pace. The state is attractive to manufacturers, particularly in the automotive sector. As of April 2016, Georgia's 5.5% unemployment rate was still higher than the nation's 5.0%, but is trending down as the labor force expands. Since April 2015, Georgia's unemployment rate has declined from 6.1% to 5.5%. During this period, Georgia's labor force has grown by 2.1%, household employment has grown by 2.8% and the number of unemployed has declined by 7.4%.

Finances and Liquidity

Georgia's total year-to-date net taxes through April 2016 were up 9.9% year-over-year and are on track to exceed fiscal 2016's estimated 6.2% general fund revenue growth. Year-to-date results have been bolstered by the ongoing economic growth as well as the motor fuel tax associated with HB 170, which was passed in 2015.

If current trends hold, fiscal 2016 will be the sixth consecutive year of positive revenue performance and seventh consecutive year in which the state will add to its Revenue Shortfall Reserve (RSR).

LIQUIDITY

Georgia has solid liquidity and continues to build its available fund balance. As of April 30, 2016, the state had $3.5 billion in its primary liquidity portfolio, including the RSR's balance of $1.4 billion, which is 7% of revenues. By law, the RSR receives any fiscal year-end surplus and can hold as much as 15% of prior-year net revenues. In addition to the RSR, the state's treasury monitors investment portfolios on a bi-weekly basis to generate necessary liquidity. As required by policy, treasury maintains marketable securities in its investment portfolios to safeguard against unforeseen events. The state has not relied on external borrowing for cash-flow purposes, but it is legally authorized to secure a bank line of credit and issue short-term debt. Under current law, any bank line of credit would be limited to 1% of the prior year's receipts, about $215 million currently. Any such borrowing must be repaid within the same fiscal year in which it was incurred.

Debt and Pensions

DEBT STRUCTURE

In Moody's 2016 State Debt Medians report, Georgia's net tax-supported debt-per-capita ranked 25th, at $1,029, compared with the $1,025 national median for states. Georgia's 6.6% debt service ratio ranked 11th, compared with the 4.3% median.

Georgia's total net tax-supported debt is moderate, and amounted to about $10.5 billion in 2015, including GO debt (87% of total), GARVEEs (7%), state-guaranteed revenue bonds (3%), and capital lease debt. The GARVEEs are issued by the Georgia State Road and Tollway Authority and finance Federal Highway Administration-approved road projects. We include these securities in our calculation of tax-supported debt even though pledged revenues come from the federal government and Georgia itself is not the legal obligor. Georgia also has a $127 million private placement SIFMA index note that matures serially in 2021 through 2026; there is no remarketing risk or liquidity provider risk and the state has the option to call the bonds at par at any time with 60 days notice.

Georgia's debt practices are governed by a 1972 constitutional amendment that authorized the state to issue general obligation and guaranteed revenue bonds. The amendment also created the Georgia State Financing and Investment Commission to oversee state debt issuance. The constitution does not allow debt to cover a revenue shortfall unless it is repaid within the same fiscal year by taxes levied for that year. The state currently issues only general obligation bonds or full faith and credit-guaranteed revenue bonds. In November 2012, voters approved an amendment to the state constitution allowing the Board of Regents and the State Properties Commission on behalf of state agencies to enter into multi-year lease agreements of up to 20 years. The State Properties Commission has entered into 29 leases totaling $102 million and expects to enter into $130 million by fiscal year-end 2016.

The state's constitution mandates conservative debt issuance practices by imposing a 25-year maximum term and a maximum annual debt-service cap at 10% of prior-year net revenues. Georgia has minimal exposure to variable rate debt, with a single private placement issue equal to about 1.2% of total net-tax supported debt.

DEBT-RELATED DERIVATIVES

In 2005, Georgia passed a law allowing the state to enter into interest rate swaps, however, it has not entered into any swap agreements.

PENSIONS AND OPEB

Based on 2014 data, we have calculated the state's adjusted net pension liability (ANPL) at $17.3 billion, or 47% of state governmental revenues. This amount ranks at the 50-state median ANPL to revenues of 59% and places Georgia 28th when the states are ranked by this metric. Our adjustments to reported state pension data include an assumed 13-year duration of plan liabilities and a market-based discount rate to value the liabilities, rather than the long-term investment return that has been used in reported figures.

As of fiscal 2014, the state had an unfunded actuarial accrued liability of $2.9 billion for state employees and $8.5 billion for school personnel, however, the state is responsible for about less than 10% of the school personnel liability.

Governance

Georgia's strong governance framework and financial management practices have helped to support the state's Aaa rating over many years. Statutory and constitutional provisions have helped keep financial operations largely balanced and have encouraged strong recovery from previous economic downturns. The state's constitution limits growth in appropriations to net projected revenues from existing sources, plus appropriations from reserves. Projected revenue is determined by the governor, giving the executive strong power to constrain expenditures. A history of prompt spending cuts in response to revenue shortfalls has been an important aspect of the state's credit profile.

Legal Security

The current issues are state general obligations secured by Georgia's pledge of its full faith, credit, and taxing power.

Use of Proceeds

Bond proceeds will finance various state projects and refunding outstanding GO bonds.

Obligor Profile

Georgia is the 8th-largest state, with a population of 10.2 million. It had a gross domestic product of $474.7 billion in 2014, which ranks 10th in the US, and per-capita personal income of $40,551.

Methodology

The principal methodology used in this rating was US States Rating Methodology published in April 2013. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 3

Georgia (State of)

Issue	Rating
General Obligation Bonds 2016A	Aaa
Rating Type	Underlying LT
Sale Amount	$717,290,000
Expected Sale Date	06/07/2016
Rating Description	General Obligation
General Obligation Bonds 2016B (Federally Taxable)	Aaa
Rating Type	Underlying LT
Sale Amount	$199,870,000
Expected Sale Date	06/07/2016
Rating Description	General Obligation
General Obligation Refunding Bonds 2016C	Aaa
Rating Type	Underlying LT
Sale Amount	$382,190,000
Expected Sale Date	06/07/2016
Rating Description	General Obligation
General Obligation Refunding Bonds 2016D (Federally Taxable)	Aaa
Rating Type	Underlying LT
Sale Amount	$67,985,000
Expected Sale Date	06/07/2016
Rating Description	General Obligation

Source: Moody's Investors Service

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Contacts

Anne Cosgrove 212-553-3248
VP-Senior Analyst
anne.cosgrove@moodys.com

Dan Seymour, CFA 212-553-4871
Assistant Vice President - Analyst
dan.seymour@moodys.com

Emily Raimes 212-553-7203
VP-Sr Credit Officer
emily.raimes@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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